



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

M/035/009

March 10, 1995

David Hodson, Mine Manager
Kennecott Barneys Canyon Mining Company
P.O. Box 311
Bingham Canyon, Utah 84006-0311

Re: Change in Surety Company, Kennecott Barneys Canyon Mining Company, Barneys Canyon Mine, M/035/009, Salt Lake County, Utah

Dear Mr. Hodson:

The Division received several telephone calls regarding a change in surety company for Kennecott's Barneys Canyon Mine. Ms. Dawn Elton of Poulton Associates and Ms. Tina Cocanougher of Van American Insurance have recently contacted our offices regarding the replacement of the Barney's Canyon Mine reclamation surety and the associated paperwork. This change in surety company presents an opportunity to revise the forms to reflect the new corporate designation of Kennecott Barneys Canyon Mining Company. We have requested the new name be used on the new surety.

Our Board has directed us to update surety amounts accordingly when any changes are made to the reclamation surety forms. Therefore, in addition to the corporate name change, we have requested the new surety amount be revised to reflect five years of escalation from the present. The new surety amount in terms of year 2000 dollars is \$4,604,000. This surety amount will not need to be revised until the year 2000, unless the approved mining and reclamation plan is formally revised/amended.

This letter is meant to document the reasons for these changes in the surety documents. This information was provided to Ms. Elton and Ms. Cocanougher during the recent telephone conversations. A copy of the Division's surety update calculation is

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attached. If you have any questions regarding this letter or require copies of our surety or reclamation contract forms, please contact me or Wayne Hedberg.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anthony A. Gallegos".

Anthony A. Gallegos
Reclamation Engineer

jb
Attachment
cc: Dawn Elton w/attachment
Poulton Associates
3785 South 700 East
Salt Lake City, Utah 84106
Tina Cocanougher w/attachment
Van American Insurance
167 East Main Street, Suite 210
Lexington, KY 40507
Wayne Hedberg, DOGM (route)
M035009.SUR

SURETY ESTIMATE UPDATE

Kennecott Barneys Canyon Mining Company

Barneys Canyon Mine

M/035/009

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

03/08/95

filename M35-09UP.WQ2

DESCRIPTION:

- This surety update is due to a change in surety company & corporate change
- Kennecott Corporation is now Kennecott Minerals Holding Company
- This reclamation estimate was last adjusted in 1994 on a per acre basis
- The surety amount currently posted is \$4,600,000 (1999-\$)
- Base amount was \$3,812/acre in 1994 dollars
- Total permit disturbance is estimated as 1,071.9 acres
- This estimate escalates the \$/acre figure to the year 2000
- The (escalated \$/acre) X (total acreage) = total surety amount
- Total disturbed area = 1071.9 ACRES
- Escalation factors through 1993 are actual Means Historical Cost Indices

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1990	0.0077	\$0
F = Future Sum	1991	0.0127	\$0
P = Present Sum	1992	0.0221	\$0
i = Escalation Factor	1993	0.0254	\$0
n = number of periods	1994	0.0201	\$3,812
	1995	0.0201	\$3,889
	1996	0.0201	\$3,967
Three Yr Average = 2.01%	1997	0.0201	\$4,047
Used to Project 5 Yrs	1998	0.0201	\$4,128
Into the Future	1999	0.0201	\$4,211
From the Year 1995	2000	0.0201	\$4,295
Updated \$/ACRE (2000-\$)			\$4,295 per acre
multiplied by acreage gives a total of			\$4,604,300
Updated Surety Amount Rounded (2000-\$)			<u>\$4,604,000</u>